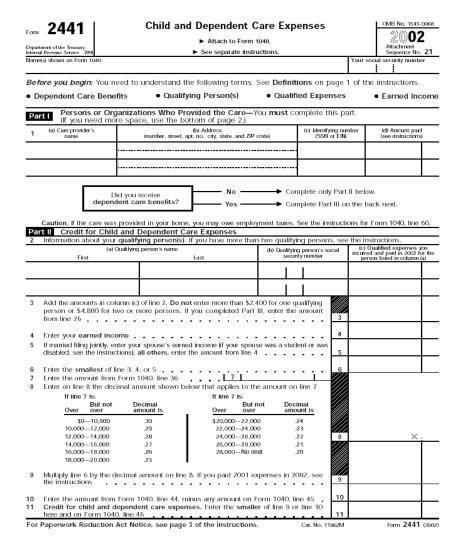
Fact Sheet

Module 8—Tax Credit for Child and Dependent Care Expenses

A tax credit is a <u>dollar-for-dollar</u> reduction of the tax. The tax credit for child and dependent care expenses allows taxpayers to claim a credit for expenses paid for the care of children under age 13 and for a disabled spouse or dependent. In order to claim the credit, the taxpayer, child or dependent, and expenses must meet numerous requirements. The maximum amount of qualifying expenses is \$2,400 for one qualifying person and \$4,800 for two or more qualifying persons in 2002. The credit is between 20 and 30 percent of the qualifying expenses.



Taxpayer Requirements

The taxpayer must:

- Incur expenses in order to work or look for work.
- Earn income for work performed during the year (there is an exception).
- File a joint return, if married (there is an exception).
- Maintain a home that was also the home of a qualifying person.
- Pay the expenses to someone other than the taxpayer's child under age 19 or the taxpayer's dependent claimed on the tax return.

Child or Dependent Requirements

A qualifying person is a

- child, under the age of 13, for whom a dependency exemption is claimed;
- dependent, or a person who could be claimed as a dependent if his or her gross income was less than the exemption amount, who is physically or mentally incapable of self-care; or
- spouse who is physically or mentally incapable of self-care.

Expense Requirements

Qualified expenses include

- household services and
- care services.